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COPY NO. 70
OCI NO. 0262/61
12 January 1961

CURRENT INTELLIGENCE WEEKLY SUMMARY



DOCUMENT NO. 9
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CLASS. CHANGED TO: TS **C1990** 25X1
NEXT REVIEW DATE:
AUTH: HR 70-2
DATE: 21-5-80 REVIEWER:

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CURRENT INTELLIGENCE WEEKLY SUMMARY

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THE WEEK IN BRIEF

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PART I

OF IMMEDIATE INTEREST

LAOS Page 1

Pathet Lao - Kong Le forces are consolidating their gains in an area extending from Nong Het to the Plaine de Jarres in Xieng Khouang Province. The Pathet Lao threat to Luang Prabang has been increased by the fall of a government outpost at Nam Bac, about 55 miles north-east of the royal capital. If the armed T-6 aircraft recently put into operation by government forces achieve success against the continuing Soviet airlift or against rebel ground forces, the bloc probably will increase its military commitments in Laos. Both the USSR and North Vietnam have endorsed a recent proposal by Cambodia's Prince Sihanouk for an international meeting on Laos.

CUBA Page 3

Cuba's increasingly close ties with the bloc are further illustrated in its new multilateral payments agreement with Communist countries, a unique arrangement that indicates Moscow is making special efforts to enable the bloc to meet most of Cuba's trading needs. Che Guevara in his 7 January speech, which described this arrangement, also stated that the bloc would provide training in Communist countries for 2,700 Cuban technicians. Within Cuba, war hysteria continues and police controls are being further tightened. A majority of OAS members now seems ready to begin discussions looking toward a multilateral break with Cuba and the imposition of economic sanctions, although the necessary two-thirds OAS support is not yet assured.

CONGO Page 4

Troops loyal to the Gizenga regime in Stanleyville continue to extend the area of its influence. They have invaded the northern part of Katanga Province--where the tribesmen are hostile to the Elisabethville government--and have proclaimed a new Lualaba state. Katanga President Tshombé has threatened to take military action against the invaders, but his forces would have difficulty operating in the disturbed area.

The Kasavubu-Mobutu regime in Leopoldville, its prestige

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PART I (continued)

already damaged by recent military reverses, faces new unrest among both police and army in the Leopoldville area. The UAR failed at the recent conference of pro-Lumumba heads of state in Casablanca to secure a firm commitment to support Gizenga militarily.

EAST-WEST RELATIONS Page 6

Premier Khrushchev [] said that the Soviet 22nd party congress was postponed until October to allow time to establish contact with the new US administration. Khrushchev probably feels the challenge of the Chinese Communists makes it imperative that the congress formulate unequivocal and long-term positions; it is unlikely that he would want to make such decisions until the Soviet leaders have an opportunity to assess the new US administration. Moreover, Khrushchev probably also hopes to achieve some tangible diplomatic success which could be used to demonstrate the validity and effectiveness of his foreign policy before committing the Soviet party to the kind of authoritative programs that are enunciated at party congresses. Mikoyan reportedly has said Khrushchev did not expect to meet with the new President until perhaps July. []

FRANCE-ALGERIA Page 7

De Gaulle will now press forward with his plan to establish an interim administrative framework in Algeria, following the mandate he received as a result of the referendum. []

rebels feel overtures should come from Paris, and even though Ferhat Abbas seems open to the possibility of a negotiated settlement, his extremist colleagues may overrule him. []

PART II

NOTES AND COMMENTS

SOVIET CENTRAL COMMITTEE PLENUM Page 1

The Soviet party central committee, which began meeting in Moscow on 10 January to consider agricultural problems, has scheduled a congress of the party, the 22nd, for 17 October 1961. Khrushchev is expected to dominate the proceedings; he is to report on the two main topics. Kozlov is to give the third key report; this tends to

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PART II (continued)

confirm that he is the number-two man in the Kremlin hierarchy. The anticipated reorganization of the USSR and republic ministries of agriculture is being discussed in speeches on agriculture at the central committee plenum. A report on the November conference of Communist parties in Moscow will also be given during the plenum.

FOOD SHORTAGES AND DISCONTENT IN COMMUNIST CHINA Page 2

As a result of the food shortages in Communist China, there have been signs of open opposition to the regime in some localities. [redacted]

anti-Communist slogans were written on public buildings [redacted] and food riots reportedly

took place [redacted] rested and shot. While the present scale of discontent poses no threat to the regime, the deteriorating situation has apparently resulted in the ouster of a prominent provincial party secretary, and further shake-ups may be in prospect. [redacted]

MONGOLIA GAINS FURTHER INTERNATIONAL RECOGNITION Page 3

Mongolia's campaign to win wider acceptance as an independent state is getting results, especially among Afro-Asian countries. Nepal, Guinea, Cambodia, and Cuba have recognized Ulan Bator within the past year; four other countries outside the bloc also maintain diplomatic relations with Mongolia. Like other Asian Communist regimes, Mongolia is particularly eager to gain recognition from new African republics and Asian neutrals which might support its bid for UN membership. When the General Assembly reconvenes in March it will probably pair Mongolia with Mauritania for membership.

CHOU EN-LAI'S BURMESE VISIT Page 4

Communist China used the occasion of Premier Chou En-lai's recent visit to Burma--to exchange ratifications of the border treaty--to refurbish the image of a peaceful, friendly China. The visit was highlighted by an offer to the Burmese of a long-term, interest-free credit of \$84,000,000--the largest ever extended by the Chinese Communists to a free-world nation. [redacted]

NEW SOCIALIST TACTICS IN JAPAN Page 5

The conservative government in Japan, when the Diet reconvenes in late January, will face Socialist attacks on issues with wide popular appeal such as renewal of Sino-Japanese relations and opposition to Japan's defense build-up. These tactics may be more damaging to the US-Japanese alliance than last year's mass demonstrations.

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PART II (continued)

INDIAN CONGRESS PARTY CONVENTION ACCENTS FOREIGN ISSUES . Page 6

The annual conclave of India's Congress party in early January was dominated by crucial foreign issues, particularly the problem of Chinese "aggression" on the border. Official statements, phrased in stiffer language than previous ones, pledged "all necessary measures" to bring an end to Chinese occupation of Indian territory; however, repeated attempts by delegates to commit the government to specific action were turned aside. Other party statements tended merely to catalogue the problems and weaknesses of the country and party, often only repeating hackneyed slogans.

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ETHIOPIA'S HAILE SELASSIE FACES DIFFICULTIES Page 7

Emperor Haile Selassie's failure to reassert his personal control over the central government after crushing the recent coup has been accompanied by increasing unrest in Addis Ababa. It now appears unlikely that the Emperor will be able to re-establish his pre-eminent position. He will probably agree soon to some reforms sought by the younger progressive elements in an effort to preserve his position and perpetuate his dynasty.

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THE BELGIAN STRIKE SITUATION Page 9

The Socialist-led strikes in Belgium, now in their fourth week, appear to have passed their peak. There are indications that the Eyskens government will work out some compromise with the opposition Socialists over the austerity bill which produced the strikes. King Baudouin reportedly wants to replace the present government with men who could try to heal the cleavage between the Walloon south and the Fleming north. New elections seem almost certain to be held in the spring.

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PART II (continued)

DOMINICAN REPUBLIC Page 10

The Dominican Republic evidently anticipated the additional economic sanctions against it voted by the OAS on 4 January, and had already attempted to counter by moves for closer relations with the Soviet bloc. Moscow is unlikely to take any action that would associate it with the unpopular Trujillo dictatorship, but might permit one or more of its satellites to establish relations. Within the Dominican Republic, the economic situation has markedly worsened, and Trujillo is believed to have exhausted the country's gold reserves. [REDACTED]

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PART III

PATTERNS AND PERSPECTIVES

THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT Page 1

The Organization for Economic Cooperation and Development (OECD), designed to accelerate free world economic growth and to increase aid to less-developed countries, faces an uncertain future. The OECD convention, negotiations for which were launched at US initiative over a year ago, involves few concrete commitments. Ratification by all of the 20 North Atlantic countries which signed the convention on 14 December is not yet assured, and jurisdictional conflicts with existing organizations--notably NATO and GATT--are likely to be troublesome. Many of the European members are more interested in settling such trade problems as the Common Market - Outer Seven dispute than they are in the broader objectives of the new organization.

CHINA'S INDUSTRIAL DEPENDENCE ON THE BLOC Page 6

As a result of Peiping's political dispute with the USSR, China has already had a foretaste of what "going it alone" could mean for its economic prospects. Considerable strains have been noted in the Chinese economy following the withdrawal of Soviet technicians last summer and the severe shortages of POL which developed at about the same time. In this situation, Peiping faces the need of coming to some new economic arrangements with the USSR or accepting a slowdown of more than one third in its rate of industrial growth. The reductions would be concentrated in precisely those key industries--especially the defense industries--on which Peiping's drive for big-power status is based.

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PART I

OF IMMEDIATE INTEREST

SITUATION IN LAOS

The Kong Le - Pathet Lao forces are consolidating their gains in an area extending from Nong Het to the Plaine des Jarres in Xieng Khouang Province. The government garrison at Ban Ban, which fell on 5 January, has taken up positions about 20 miles northeast of Xieng Khouang town. The balance of government troops in the province have withdrawn southward to an area about 40 miles south of the town.

Prabang have secured the road junction, but their ability to retain it should it come under significant Pathet Lao harassment is open to question.

Government plans to retake the Plaine des Jarres face serious obstacles, including the difficulty of resupplying the forces in Xieng Khouang by air, problems of coordination, and the strength of the Kong Le - Pathet Lao forces.

Another factor limiting the government's capability of retaking the Plaine des Jarres is the mutual distrust between regular Lao troops and the sizable body of Meo partisans in Xieng Khouang. The cooperation of the Meos is likely to be essential; however, the army commanders are reluctant to provide them the necessary arms to participate in operations against the Kong Le - Pathet Lao forces.



Government military planners in Vientiane are developing ambitious plans to retake the Plaine des Jarres, employing the two groups of troops already in Xieng Khouang Province and a third column coming from the west. This latter column must first capture Vang Vieng, the Pathet Lao stronghold to the south of the junction between the Vientiane - Luang Prabang road and Route 7 leading eastward to the Plaine des Jarres. Government troops from Luang

Prabang capture of Nam Bac, about 55 miles northeast of Luang Prabang, on 8 January increases the threat to the royal capital, although it does not seem to be in immediate danger. With Nam Bac in their control, the Pathet Lao are now free to move down the Hou River toward Luang Prabang. However, before proceeding toward Luang Prabang, they may first choose to move against a government post to the west of Nam Bac to prevent development of any threat from the rear.

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[redacted] the bloc is now capable of supplying the Kong Le - Pathet Lao forces in the Plaines des Jarres area of Laos via an overland route. Route 7, which originates on the southern coast of North Vietnam and terminates in north-central Laos between Vientiane and Luang Prabang, apparently is open for limited truck traffic--at least during the dry season. The maximum capability of this road is estimated at approximately 300 short tons a day, although actual traffic probably falls considerably below this.

Any large-scale movement of bloc supplies and equipment to the Plaines des Jarres area of Laos probably would originate in sea shipments to the North Vietnamese coastal area near Vinh and then continue inland via Route 7.

The four T-6 trainers provided Laos by the United States have begun flying armed missions, following formal notification to the Soviet Government by the Boun Oum regime that it would take appropriate defensive measures if the airlift continued. Should the T-6s achieve success against the airlift or rebel ground forces, the bloc might introduce escort planes of roughly equivalent capabilities.

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[redacted]

In Phnom Penh, Souvanna Phouma continues to sit tight, refusing to recognize the legality of the Boun Oum government. He is quoted by reporters to the effect that the Boun Oum government was approved by the National Assembly only as the result of

pressure from the military. Souvanna has told numerous visitors that he will return home only if a coalition government including the Pathet Lao is possible. Souvanna's continued refusal to make a public gesture of acceptance of the Boun Oum government's legality facilitates bloc maintenance of the fiction that Souvanna's remains the lawful government.

In a talk with the UK ambassador on 3 January, Soviet First Deputy Foreign Minister Kuznetsov took the position that Souvanna Phouma's consent is a prerequisite to reactivation of the ICC. This follows the even stronger Chinese Communist declaration of 28 December, in which Foreign Minister Chen Yi said categorically that any reconvened ICC "must not have contact" with the Boun Oum government.

The recent endorsement by both Moscow and Hanoi of Cambodia's 1 January proposal for a 14-nation conference to deal with the Laotian crisis was probably intended to capitalize on growing Asian concern over the future course of events in Laos and to maintain the posture of seeking a political settlement. The bloc probably also fears that its endorsement will provide an alternative to any proposal for renewing the ICC on Western terms and encourage what the bloc claims is increasing evidence of disagreement among the Western allies over a policy toward Laos. Recent Soviet propaganda has attempted to exploit this theme, and a 10 January TASS statement claimed that US efforts to "demonstrate Western unity and the effectiveness of SEATO in Laos have completely failed."

Additional warnings against further "US intervention" in Laos came from Chinese Communist leaders on 6 January. Both Chou En-lai, who was in Rangoon, and

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Chu Teh declared that the Lao-tian people should solve their own problems without any foreign interference. Chu warned that US actions in Laos "endanger

China's security." He said the US and its allies have "gone far enough on this dangerous road, and it would be most dangerous to go farther." 25X1

CUBA

Che Guevara, in a 7 January radio speech, reported the results of his two-month mission to the bloc to make arrangements for the bulk of Cuba's trade for 1961. He praised Sino-Soviet bloc economic assistance to Cuba and described it as politically motivated. In a reference to the cold war, he said: "We are not spectators in the struggle between two giants. We are an important part of this struggle."

Guevara stated that agreements signed during his tour provide for 2,700 Cuban technicians to be trained in the bloc, and he added that Soviet technicians are now working on the expropriated American-owned Nicaro and Moa Bay nickel plants, "which they promise to have operating in a short time," enabling Cuba to produce nickel "independently of other countries." He explained that minor difficulties had arisen in dealing with the bloc, including: "The socialist countries use the decimal system; we use the colonial system of pounds.... We will have to change all this."

Guevara revealed in his speech that the bloc has entered into a multilateral trade and payments arrangement with Cuba which considerably enhances the value of the economic agreements with the bloc. Cuba apparently will be able to sell sugar and other products to one bloc country and buy an equivalent value of goods from another. Thus, while only selling small amounts of sugar to certain countries--

particularly the European satellites--Cuba can continue to purchase the goods it desires from these countries without being forced to part with large amounts of foreign exchange.

Such an arrangement highlights the special position Cuba has assumed vis-a-vis the bloc. The only comparable agreement the bloc has made with a non-Communist country was with Finland, and this one has since been abandoned. Even within the bloc, multilateral transactions are minimal and usually are used only to deal with a specific situation.

Guevara voiced impatience with economic disruptions caused by "exaggerated" preparations in Cuba for an "imperialist attack" and urged the people to return to their jobs. This could be taken as a rebuke to Fidel Castro, who continues to claim that a US attack will occur prior to Inauguration Day in the United States.

Despite Guevara's admonitions, war hysteria and feverish preparations are continuing. Drastic police-state controls are being further tightened. As of 6 January the people of Havana appeared to be in a state of frightened expectancy.

Officials of a number of countries have privately stated that, while their governments could not now unilaterally break with Cuba without being subjected to the charge of following US footsteps too closely, they

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would support multilateral action--i.e., through the machinery of the 21-member Organization of American States (OAS)--severing diplomatic ties with the Castro regime. A majority of OAS members now seems ready to begin discussions looking toward a multilateral break with Cuba and the imposition of economic sanctions, although the support of two thirds of the member countries necessary for the imposition of such sanctions is not yet assured.

Colombian Foreign Minister Turbay told the US ambassador on 5 January he felt the time had come for collective OAS action and urged the United States to make special efforts to persuade the three "doubtful" governments of Mexico, Brazil, and Ecuador, since he considered that unanimity was essential for collective action to be effective.

Mexican Foreign Minister Tello had already advised the US Embassy that his government would feel obliged to abstain on any OAS action taken under the 1954 Caracas resolution against international Communism, but he implied that Mexico would not oppose such action. In Brazil, where policy making is virtually suspended pending the return of President-elect Quadros from Europe and his inauguration on 31 January, there is pressure for an attempt to mediate US-Cuban "differences." The Ecuadorean Government, prepar-

ing to play host to the 11th Inter-American Conference scheduled to open there later this year, appears anxious to avoid any action that might jeopardize its plans.

Three other countries--Chile, El Salvador, and the Dominican Republic--appear reluctant to associate themselves with moves for strong action against Castro. In Chile, the government hopes to keep the Cuban problem out of the congressional election campaign during the next two months, fearing a further swing to the left if emotions are raised over the Castro issue.

Argentina, which has been one of the sharpest critics of Cuba among the major Latin American countries, might be willing to support economic sanctions against Cuba but would be reluctant to break diplomatic relations for both hemisphere and internal security reasons. The government believes it should maintain a listening post in Cuba, where a number of important Peronista leaders reside. The Cuban opposition leaders have requested Argentina to maintain its embassy in order to furnish assistance to those seeking political asylum. The foreign minister has said that relations with Cuba could definitely not be severed before the 5 February local and senate elections.

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CONGO

Troops loyal to the Giza regime in Stanleyville continue to extend the area under their control. After setting up a pro-Stanleyville government in Kivu Province, they have entered the northern part of Tshombé's Katanga Province and

have proclaimed the establishment of a new Lualaba state. They apparently have been welcomed by the anti-Tshombé Baluba tribesmen of the area.

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Tshombé has threatened military action against the invaders and reportedly has denounced the UN-arranged ceasefire in northern Katanga. He would have difficulty operating among the hostile tribes of northern Katanga.

Tension is high in both the European and African communities in Elisabethville. Tshombé may be unwilling to move too many troops out of the Elisabethville area for fear of giving the large Baluba population there an opportunity to revolt. As a result of mutinies among his African troops, he is recruiting Europeans [REDACTED]

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25X1 [REDACTED]

In Leopoldville, the prestige of the Kasabubu-Mobutu government has been further damaged by the inability of Mobutu's forces to take effective action against the dissidents. A police mutiny, which began on 10 January over pay, seems to be spreading to the armed forces in the area, whose morale, already low as a result of alleged favoritism shown by Mobutu toward some units, reportedly has suffered further as a result of the continued success of the opposition forces. The American ambassador in Leopoldville believes that continued erosion of Mobutu's prestige, coupled with army unrest, may lead to an early Lumumba takeover.

At their meeting in Casablanca from 4 to 7 January, the pro-Lumumba states of Morocco, Mali, Ghana, Guinea, and the UAR adopted a resolution on the Congo asserting their determination to withdraw their troops from the UN Command and reaffirm-

ing their recognition of Lumumba's government. The resolution called for the UN to disarm Mobutu's "lawless gangs," release all political prisoners, reconvene parliament, and deport all "Belgians and foreigners" not part of the UN operation.

Nkrumah of Ghana reluctantly agreed to join the other states in the projected troop withdrawal, but both he and Moroccan King Mohamed V resisted pressure, principally from Nasir of the UAR, to recognize the Gizenga government and assign their troops to support it. However, the maintenance in the Congo--especially in Orientale Province--of a large force independent of the UN is beyond the present logistic and financial capabilities of the African states alone. No date was announced for the threatened withdrawal, but the chiefs of state reportedly agreed that if the UN has not met their demands by the end of January, they will "set up machinery for restoring Lumumba to power." Guinean President Touré on 11 January formally requested the withdrawal of his country's UN contingent by 20 January.

On 7 January the USSR called for a meeting of the Security Council--now scheduled for 12 January--to discuss "new acts of aggression" by Belgium against the Congo and the "gross violation" of the international status of Ruanda-Urundi. A Soviet Government statement of 11 January demanded the liquidation of Belgium's rights and powers in Ruanda-Urundi, the withdrawal of all Belgian personnel in the Congo, and other "measures to normalize the situation," including the release of Lumumba. The statement requested Security Council discussion of these questions and, "if need be," also an emergency session of the General Assembly. [REDACTED]

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EAST-WEST RELATIONS

At the Cuban National Day reception on 2 January, Khrushchev said the delay in establishing contact with the new US administration was largely responsible for the Soviet party's decision to postpone its 22nd congress until October.

At the same reception First Deputy Premier Mikoyan remarked that Khrushchev did not expect to meet with President-elect Kennedy until "perhaps July."

This link between the timing of the party congress and top-level East-West talks suggests that Khrushchev hopes to achieve some tangible diplomatic success which could be used to demonstrate the validity and effectiveness of his foreign policy before committing the Soviet party to the kind of authoritative and long-range programs that are enunciated by party congresses. The Soviet leaders may also feel that the Chinese Communist challenge makes it imperative that the party congress take unequivocal positions on doctrinal as well as foreign policy questions, and that this will be impossible until the Soviet leaders have an opportunity to assess the character and likely moves of the new US administration.

The new date for the party congress--17 October--and Mikoyan's reported reference to a meeting with the new US President in July suggest that the Soviet leaders are aware that the process of arranging a summit conference will require considerably more time than Khrushchev indicated in earlier private remarks. In talks with Prime Minister Macmillan last

fall, Khrushchev mentioned February and March as possible dates for a summit; later he indicated to the West German ambassador that April would be the deadline for talks on Germany.

Moscow's relative restraint on Berlin which was evident in the Communist position during the negotiations renewing the Soviet and East German trade pacts with Bonn was again reflected in Moscow's reply to the US note of 26 October protesting East German statements and actions concerning Berlin. The Soviet note of 7 January was brief, devoid of polemic, and merely confirmed the Soviet position as presented in the 26 September note. In response to an earlier US protest, the USSR declared at that time that East Germany exercised full power on the territory lying under its sovereignty, "including in its capital."

The brevity of the latest Soviet note also appears intended to close out the exchange over East German restrictions on West German travel into East Berlin.

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FRANCE-ALGERIA

De Gaulle now will press forward with his plan to establish an interim administrative framework in Algeria, following the mandate he received as a result of the referendum.

to rebel demands for a precipitate withdrawal of the French Army from Algeria. However, De Gaulle may try to ease the way into negotiations by defining a plan for Algerian autonomy that would tempt the rebel leadership.

The referendum results have been hailed by French Government spokesmen as a resounding vote of confidence in De Gaulle, and the low negative vote has dismayed European settlers and their rightist supporters in France. Metropolitan "yes" voters may be disappointed,

The rebels feel overtures should come from Paris. While there are indications that rebel premier Ferhat Abbas is willing to reach a reasonable negotiated settlement, he may continue to be overruled by extremist members of the PAG. The rebel government's representative in Beirut reportedly stated last week that Abbas wanted negotiations to begin immediately after the referendum. Abbas was said to fear that if De Gaulle continued to insist on a ceasefire as a condition to substantive negotiations, the situation would deteriorate to the point where the FLN would accept Soviet and Chinese Communist aid.

FRANCE-ALGERIA

(MILLIONS OF VOTES)

6-8 JAN. REFERENDUM	METROPOLITAN FRANCE	ALGERIA	TOTAL
YES	15.20	1.75	16.95 (54.2)* (74.5)**
NO	5.00	.78	5.78 (18.5) (25.5)
INVALID BALLOTS	.61	.11	.72 (2.3)
ABSTENTIONS	6.04 (23)*	1.77 (40)*	7.81 (25.0)
REGISTERED VOTERS	26.85	4.41	31.26

1958 CONSTITUTIONAL REFERENDUM	METROPOLITAN FRANCE	ALGERIA
YES	17.67	3.59
NO	4.62	.12
ABSTENTIONS	4.01 (15.1%)	.94 (20.1%)

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* PERCENT OF REGISTERED VOTERS
** PERCENT OF VALID BALLOTS

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however, in their anticipation that De Gaulle will move quickly to political negotiations with the rebels as he intimated he would do in his pre-referendum campaign speeches.

Any negotiations will be difficult, as the rebels may object to the safeguards that De Gaulle will insist upon for the European minority, or to the French intention to separate the oil-rich Sahara from the coastal departments. The defiant attitude of Algeria's urban Moslems, moreover, may encourage the rebels to maintain a standoffish attitude.

De Gaulle is prepared to negotiate with the provisional Algerian government (PAG). He continues to insist, however, that rebel terrorism must cease first, and he is firmly resolved not to accede

Meanwhile, there has been a new outbreak of anti-French feeling in the independent Arab states, based partly on French policies toward Algeria and partly on recent reports of French assistance in developing

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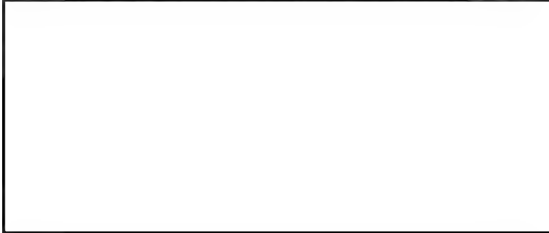
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Israel's nuclear capability,
The UAR has taken the lead, de-
manding that all Arab govern-
ments sever relations with France
and set up an area-wide boycott.
The Cairo-dominated Internation-
al Confederation of Arab Trade
Unions on 11 January called on
all Arab workers to boycott

French ships, planes, and goods.



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PART II**NOTES AND COMMENTS****SOVIET CENTRAL COMMITTEE PLENUM**

The Soviet party central committee, which began its meeting in Moscow on 10 January, has scheduled the next party congress --the 22nd--for 17 October 1961. Khrushchev was heard to say on 2 January at the Cuban National Day reception that the congress had been put off until late in the year because of delay in establishing contact with the incoming US administration.

Although Khrushchev did not allude to the recent difficulties with the Chinese, this factor also plainly figured in the delay of the party congress. The importance of the Chinese problem has been demonstrated in recent weeks by an extensive series of regional briefings on the November Communist conference by top party leaders. A report on this subject has now been added to the agenda of the central committee's current plenum on agriculture.

The agenda set for the forthcoming congress indicates that Khrushchev will dominate the proceedings with two major speeches. He will give, as is customary for the party first secretary, the report of the central committee which will sum up developments since the last regular congress--in early 1956--and lay down the basic lines of Soviet domestic and foreign policy for the next four years. In addition, he is scheduled to present a new party program to the congress.

The program, thought of as a long-term guide for the entire international Communist movement, was ordered prepared by the 20th congress in 1956, and is to replace the long-out-dated

one adopted in 1919. Decisions to draw up a new program have been made by every regular congress beginning with the 18th in 1939 but have never been implemented. Khrushchev probably intends the new program to stand as one of his major contributions to the course of Communist development and an important monument to his leadership.

Frol Kozlov, member of the party presidium and secretariat, is slated to present a proposed revision of the party rules to the congress. The selection of Kozlov to deliver this key report tends to confirm previous indications that he is the number-two man in the Kremlin hierarchy. The last major revision of the rules, made at the 19th congress in 1952, was reported on at that congress by Khrushchev.

The congress is also scheduled to elect a new central committee. Over five years will have elapsed since the present central committee was elected, and significant changes have occurred in the political standing of a very large percentage of the members.

The forthcoming congress will be a mammoth assemblage of over 4,000 delegates--double that of any previous congress--according to the norms of representation set by the central committee. Fewer than 1,400 delegates attended any of the last three congresses.

The central committee plenum began its consideration of agricultural problems on 11 January. The initial speakers

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emphasized extending the area under cultivation and expanding irrigation--programs with which Khrushchev is closely associated. Ukrainian party chief Nikolay Podgorny stated that the ministries of agriculture in the USSR were being reorganized so as to concentrate on "the pri-

mary task"--the application of scientific achievements to agricultural production. Details of this reorganization will probably be elaborated upon by later speakers. The plenum is expected to last several days. [REDACTED]

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FOOD SHORTAGES AND DISCONTENT IN COMMUNIST CHINA

Discontent strong enough to take the form of antiregime activities is reported on the rise in Communist China. The principal cause is the effect of protracted food shortages, now going into their third year.

Malnutrition is widespread

[REDACTED] up to 50 percent of the population was affected last summer--and observers in Peiping have noted university students suffering from beriberi and other nutritional diseases. According to Reuters, the authorities have ordered students to suspend athletic activities and to be in bed by 2200 hours in an effort to conserve their strength.

The cumulative effect of food shortages, perhaps coupled with the fear that the regime is incapable of providing any solution, has emboldened the inhabitants of several localities. In late November anti-Communist slogans were seen painted on the public buildings [REDACTED]

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discontent over "bad" living conditions was increasing. Many of the persons living on Hainan are Overseas Chinese recently resettled from other areas in Southeast Asia, and are thus capable of making invidious com-

parisons with conditions abroad. The regime may therefore have a more acute morale and security problem on Hainan than in other areas.

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The problem, however, has apparently reached serious proportions in many localities. [REDACTED]

[REDACTED] signs believed to have read "More Food" and "Down with Communism" were being erased from public buildings in mid-December [REDACTED]

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There is considerable dissatisfaction among civilians [REDACTED] army's favored treatment in the matter of rations. Popular discontent here may be typical of attitudes generally [REDACTED]

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[REDACTED] food riots occurred [REDACTED]

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[REDACTED] 70 persons were arrested and summarily executed.

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While the regime's controls appear more than adequate to cope with the present scale of popular dissatisfaction, the serious food situation may have resulted in organizational changes at the provincial level. According to the Peiping press, the northern coastal province of Shantung was the hardest hit in last summer's drought, and has actually suffered a decline in agricultural production over the last two years. People's Daily announced

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on 8 December that neighboring provinces and municipalities were organizing a major relief campaign to assist the people of Shantung.

Two weeks earlier the local press noted the ouster of the Shantung party first secretary, Shu Tung. His replacement declared, "All cadres should overcome the high and mighty bureaucratism and habit of excusing themselves by pleading special circumstances." As Shu Tung was reputedly one of the most powerful of the provincial party bosses--a central committee member probably slated for eventual politburo membership--his dis-

missal could portend a shift in local policies. Shu belongs to the more extreme "let politics take command" wing of the party and early made his mark as a propagandist; his successor has published articles taking a more pragmatic approach.

The American Consulate General in Hong Kong reports that there is also some evidence of a shake-up in the Kwangtung party provincial committee. The number of refugees fleeing Kwangtung to Hong Kong because of the food shortage is increasing despite stringent border controls.

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MONGOLIA GAINS FURTHER INTERNATIONAL RECOGNITION

Mongolia's campaign to win wider acceptance as an independent state is getting results, especially among Afro-Asian countries. On 4 January Nepal announced the establishment of diplomatic relations at the ambassadorial level, thus becoming the fourth free-world nation to recognize Ulan Bator in the past year. Guinea, Cambodia, Cuba, India, Burma, Indonesia, Yugoslavia, and all the bloc countries also maintain diplomatic relations with Mongolia.

Like the other Asian Communist regimes, Mongolia is particularly eager to gain recognition from the new African republics and Asian neutrals which might be expected to support its bid for UN membership. Indicative of the importance Ulan Bator attaches to its newly won contacts outside the bloc was the appointment last August of party central committee member Bayanbatoriin Ochirbat, one of Ulan Bator's few experienced diplomats and formerly acting foreign minister, as ambassador to Guinea. At his new post

Ochirbat can be expected not only to attempt to gain recognition from Guinea's newly independent neighbors but also to muster support for Mongolia in the UN.

Mongolia's efforts to gain UN admittance date from 1946. Membership requires a recommendation by the Security Council and a two-thirds endorsement by the General Assembly. Nationalist China used its veto to block a Security Council recommendation in 1955. Khrushchev, in his address to the General Assembly last September, called for Mongolia's admission along with that of Communist China. On 4 December, having failed to get Mongolia's application included on the Security Council agenda, the Soviets retaliated by using their veto to deny Mauritania's application for membership.

It now appears that the General Assembly, when it resumes on 7 March, will probably recommend both Mauritania and Mongolia for membership. Such a move would focus international attention on Mongolia and could serve

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as a talking point in urging favorable action in the Security Council.

As yet there are no free-world ambassadors in Ulan Bator, although the Indian, Indonesian, and Burmese ambassadors in Peiping are accredited there, as is the Cambodian envoy in Moscow. Official contacts with foreign dignitaries are nevertheless

becoming more numerous in Ulan Bator. Guinean President Sekou Touré made a state visit in September, and a Cuban Government delegation visited the country in early December. Cambodian Prince Sihanouk's three-day stopover en route home from Moscow later last month was also accorded much fanfare by the Mongolian press and radio.

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CHOU EN-LAI'S BURMESE VISIT

Communist China used the occasion of Premier Chou En-lai's visit to Burma from 2 to 9 January for a massive show of its peaceful intentions in Asia. Chou's trip was the regime's gaudiest effort to date--he was accompanied by a delegation of over 400, the largest ever sent abroad by Peiping--in its attempt to refurbish the image of a peaceful, friendly China.

The Burmese pitched in to help the show of amity. They bestowed on Chou a title created especially for him--Supreme Upholder of the Glory of Great Love--and accorded him a reception rivaling that given Burmese Premier Nu in Peiping last October. Chinese song-and-dance team contingents will stay on in Burma for as long as two months. The Chinese also opened an exhibition of their industrial and agricultural achievements in Rangoon.

At the end of Chou's visit, Peiping agreed to extend a long-term, interest-free credit of \$84,000,000, its largest single loan to a free-world nation--\$24,000,000 more than the one to Cuba. The Chinese will provide industrial equipment, send technical experts, and train Burmese technicians. The new aid offer and a trade agreement

signed last October provide the basis for a considerable expansion of Sino-Burmese trade--a goal which the Chinese Communists have been pursuing for some time.

The stated purpose of Chou's trip was the exchange of ratifications on 4 January (Burma's National Day) of the border treaty signed during U Nu's visit to Peiping. Under it the Burmese secured Peiping's agreement to draw the border along the traditional line, a signal accomplishment in Rangoon's eyes, since earlier Chinese Communist claims included large sections of Burmese territory.

Peiping has publicized the border settlement as a "brilliant example" of the ability of Asian countries to solve historical problems, claiming that the imperialists have thus been deprived of the means for sowing discord between the two countries. The Chinese have repeatedly pointed to the four friendship pacts concluded with Asian neighbors last year as evidence of their peaceableness. Chou hailed the solution of long-standing boundary differences as further proof of China's strict adherence to the five principles of peaceful coexistence and the spirit of Bandung.

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Joint Sino-Burmese survey teams are marking the 1,500-mile border.

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NEW SOCIALIST TACTICS IN JAPAN

The conservative government in Japan will face a Socialist attack in the Diet session resuming about 27 January that may be more difficult to counter and may pose a greater threat to US interests than the mass demonstrations last year. Since September, the Japanese Socialist party (JSP) has been making a gradual tactical shift, and it now appears that it will try to undermine the US-Japanese alliance by attacking the government's foreign policy on issues with wide popular appeal rather than by continuing last year's frontal attack on the US-Japanese security treaty.

On 27 December, party executives approved plans for developing a nationwide movement for restoration of trade and diplomatic relations with Communist China. On 3 January, they issued a statement opposing government negotiations with South Korea, which they charged would perpetuate the partition of Korea. They have also proposed nonaggression treaties with Communist neighbors as an alternative to the expensive build-up of Japan's self-defense forces planned by the government.

The theoretical basis for the Socialists' tactical shift

is the so-called "structural reform program" proposed by Secretary General Saburo Eda and modeled on the policy of the Italian Communist party. This new line, which will probably be debated at the party convention in March, calls for attack on government policies to improve the Socialist position within the present political and economic framework--in place of the less realistic call for immediate achievement of the socialist revolution through class struggle.

The shift, however, is one of immediate targets rather than of ultimate goals. The unstated aim of the program is to combine parliamentary opposition with mass movements to create a series of government crises, to topple successive conservative governments, and eventually to establish a coalition government with liberal elements of the conservative party. The JSP has not changed its pro-Communist stand on recognition of Communist China, Korean unification, reversion of Okinawa to Japan, the status of Taiwan, elimination of Japan's self-defense forces, and abolition of the security treaty.

Left-wing Socialists and labor leaders oppose this new

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program on grounds that it will sap the socialist and labor movements of their militancy, but they nevertheless may feel compelled to accept it because, among other factors, they recognize that direct anti-American-

ism and violence have hurt the JSP, and they hope, by seeming less radical, to undercut both the competing Zenro labor federation and the already weakened moderate Democratic Socialist party.

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INDIAN CONGRESS PARTY CONVENTION ACCENTS FOREIGN ISSUES

The annual conclave of India's ruling Congress party from 3 to 8 January, which this year had been planned largely as a showcase for the election manifesto to be used in the campaign beginning in late 1961, was dominated by crucial foreign problems. Despite much advance ballyhoo about the party's socialist program and mobilization of the masses for the Third Five-Year Plan (1961-66), the only issue which aroused heated discussion in the party sessions was the Sino-Indian border problem. New Delhi's alarm over the crisis in Laos and continued concern with events in the Congo and Nepal were also spotlighted. A striking feature was the absence for the first time since independence of reference to relations with Pakistan.

A special resolution on Chinese aggression, as well as numerous supporting statements by top Congress leaders, were more strongly worded than previous ones, reflecting a stiffening of official attitudes following the failure in December of extended Sino-Indian border talks. Any commitment to specific action was carefully avoided, however, thus strengthening the impression that the government sees little it can do to change the status quo. Congress leaders probably hoped that their heavy stress on taking "all necessary measures"

to bring an end to Chinese occupation of Indian territory would sidetrack growing criticism of the government's inaction in the border region.

Many party members were dissatisfied with the High Command's vagueness, however, and tried in the course of a stormy debate to pin the government down. Nehru, reiterating his opposition to any action risking a major Sino-Indian conflict, heatedly rejected all amendments as "irresponsible," and as usual he extracted a unanimous vote in approval of the party resolution.

The major planks of the Congress election manifesto were outlined in an omnibus resolution--drafted by Nehru--incorporating all Congress policies, with special emphasis on building a "dynamic" new social order. Other resolutions stressed achievement of the goals of the massive Third Plan which begins in April, extension of cooperative farming on a voluntary basis, and a continuing drive to turn over to village-level officials responsibility for the community development program, now in its eighth year. The threat of communalism and regionalism to India's national unity, dramatically highlighted in recent weeks by the Sikh demand for a separate state in the Punjab, also received special attention.

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The Congress convention followed a familiar pattern. Nehru's influence over party affairs, despite having declined somewhat of late, still dominated, and his steamroller tactics prevailed. Party statements tended merely to catalogue the problems and weaknesses of the country and

party, often repeating hackneyed slogans without offering practical solutions. The pattern in fact was so routine for the most part that the convention seems unlikely to have the desired impact on either the party or the electorate. [REDACTED]

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ETHIOPIA'S HAILE SELASSIE FACES DIFFICULTIES

Emperor Haile Selassie has been unable to re-establish normal government operations in Addis Ababa, although an outward calm has returned to the capital following last month's abortive coup, when several of his most trusted ministers and advisers were assassinated by the rebels. The Emperor's fail-

it is unlikely that the Emperor will be able to maintain his completely autocratic rule.

The Emperor is said to be aware of the deteriorating situation and to be considering some reforms sought by members of the younger, progressive elements in the capital. The progressives seek to establish a constitutional monarchy and to institute broad social and economic reforms. The Emperor may move initially to implement the spirit of the 1955 constitution, heretofore virtually ignored. Such action might include granting the prime minister authority to appoint and discharge cabinet members, who in turn would be free to exercise ministerial powers for the first time. The civil rights section of the constitution might also be considered for at least partial implementation. The reforms are not, however, expected to be enough to reduce the Emperor's position to that of a constitutional monarch.



Haile Selassie receiving obeisance

ure to reassert his strong personal leadership undoubtedly has encouraged antiregime activities by various dissident elements, and this in turn has contributed to growing uncertainty among the population. The situation appears to have deteriorated to a point where

The unstable atmosphere in Addis Ababa was illustrated on 3 January when a high security official made a radio appeal for calm and declared that rumors circulating in the capital were groundless. One rumor--that the army had threatened to "take action" unless it received an immediate pay raise--caused considerable apprehension in government circles, in part because the short-lived coup government promised such a pay raise. [REDACTED]

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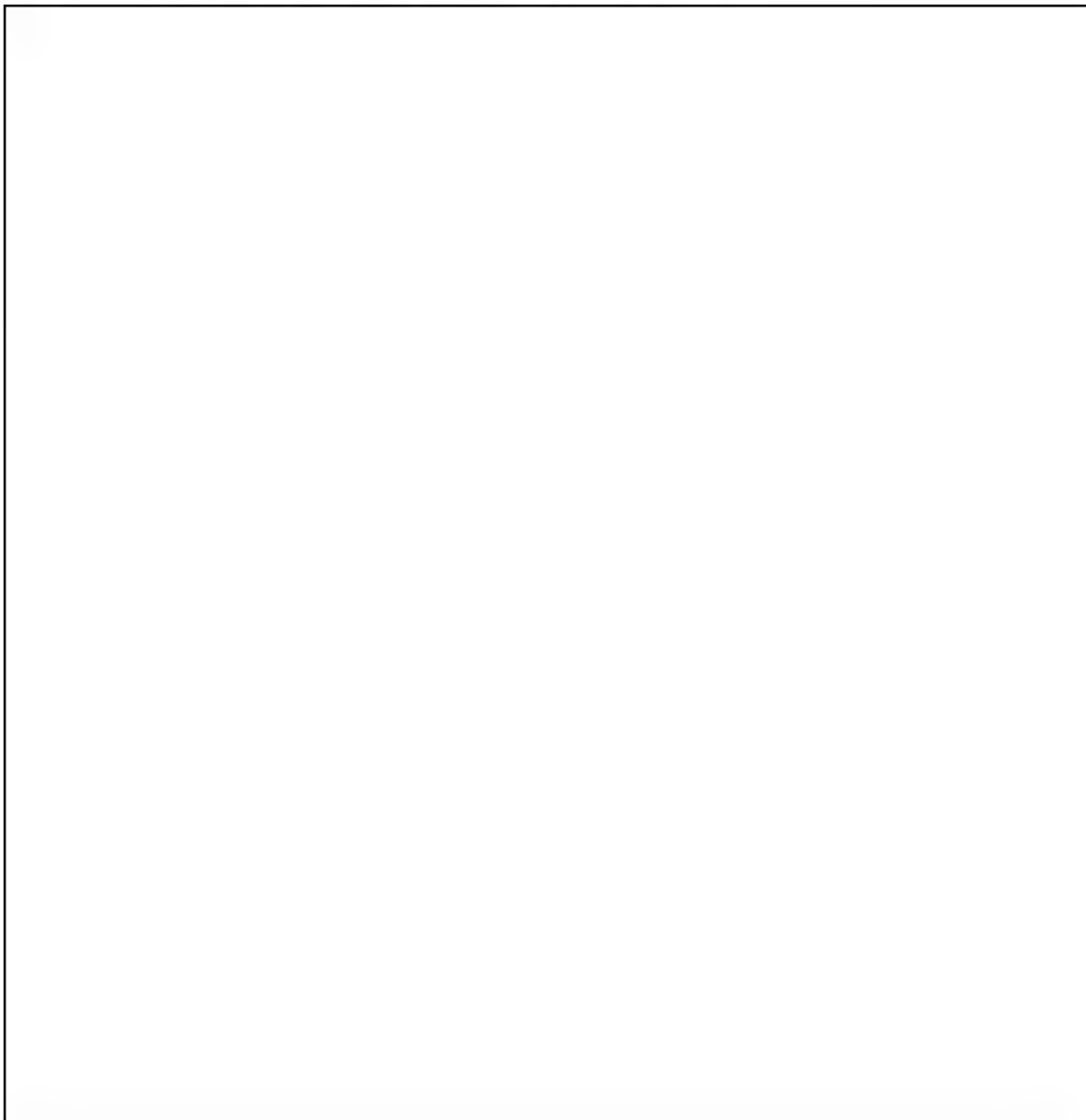
A number of government officials in Addis Ababa are known to be dissatisfied with the prevailing political situation, as are some members of

the diplomatic service. Two diplomats have sought political asylum in Cairo. Other indications of discontent are the increase in grass-roots criticism of the Emperor since the coup attempt and the student demonstrations on 5 January supporting fellow students arrested for refusing to sign pledges of loyalty.

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THE BELGIAN STRIKE SITUATION

The Socialist-led strikes in Belgium, now in their fourth week, appear to have passed their peak. The back-to-work movement continues in Flanders and Brussels, and there are even signs that the fiercely partisan workers in the south are wearying of the strike. Observers in Brussels believe that the strikes, which were designed to topple the Social Christian - Liberal government of Premier Eyskens and prevent the passage of its economic austerity omnibus bill, will end in the next two weeks.

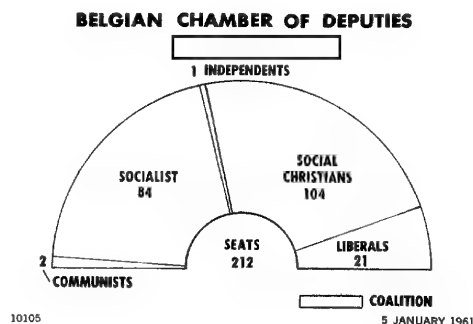
Moderate Socialist leaders, realizing that their party's stature is being adversely affected by growing public bitterness, are seeking a face-saving out. On the other hand, the government, which failed to gauge accurately the intensity of public feeling against the austerity program, appears to recognize that some concessions are necessary, and Eyskens has agreed to submit to an independent commission the government proposal that unemployment benefits be reduced. Eyskens' position has been saved thus far by the loyal support of the Roman Catholic trade unions which have refrained from joining the strikes, but he cannot afford to alienate the labor wing of his Social Christian party by too unyielding an attitude toward labor's desires.

Despite the more auspicious atmosphere for a settlement, there remains a danger of more violence and sabotage, particularly in the Walloon south, the stronghold of André Renard, deputy secretary general of the Socialist trade union confederation. Left-wing trade unionists in that area led by Renard have rejected the peace

overtures and called for a continuation of the strike. The government had earlier recalled more troops from Germany and ordered the police to act with "more firmness."

New elections in the spring appear almost certain. A majority in both government parties is reported to desire elections as soon as the omnibus austerity bill and certain other pieces of necessary legislation have been passed. In addition, King Baudouin is reportedly anxious to get rid of Eyskens in order to build a government of "new men" who could seek to heal the cleavage between the Walloon south and Fleming north.

The Belgian economy is suffering considerably from the strikes. The minister of economic affairs and the Federation of Belgian Industries have estimated the daily loss at from



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\$10,000,000 to \$20,000,000--or about 1 percent of the annual gross national product per week. Consequently there could be demands for a reduction in the military budget --now set at \$344,000,000 for 1961 --particularly if the public feels that the cost of the austerity program, which includes \$132,000,000 in new taxes, could be eased by such a reduction.

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DOMINICAN REPUBLIC

The Dominican Republic evidently anticipated the additional economic sanctions against it voted by the OAS on 4 January and had already attempted to counter by moves for closer relations with the Soviet bloc. Immediately following the OAS action, the Trujillo dictatorship ordered a sharp increase in anti-US radio propaganda, and on 5 January the US Consulate was picketed with signs reading "Imperialist Yankees Get Out." The rubber-stamp congress reportedly prepared some time ago a draft bill to expel all US citizens and end consular relations.

Efforts to expand commercial ties with the Soviet bloc have evidently been under way for several months

A new trading company called Ultramar Dominicana was announced on 21 December with a management which includes two former officials of the government-controlled anti-US Radio Caribe.

BACKGROUND

The Trujillo dictatorship incurred formal censure by the other 20 OAS nations in August 1960 for involvement in the June attempt to assassinate President Betancourt of Venezuela. OAS members agreed to break diplomatic relations with Trujillo and to place an embargo on arms shipments immediately, with expanded economic sanctions to follow if the regime failed to reform. On 4 January the OAS voted to add petroleum, petroleum products, trucks, and spare parts to the embargo.

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Ambassador Thompson reported from Moscow on 7 January that the USSR has continued to carry the Dominican Republic on its diplomatic list since relations were first established in 1945, although there has been no exchange of missions. He noted that the Soviet Union would have to weigh the "operational value" of having bloc diplomatic representation there against unfavorable reaction elsewhere, and suggested that the decision would be strongly influenced by Cuban desires.

Thompson thought Moscow probably identifies Trujillo's overtures as an attempt to use the USSR and would prefer to delay; he cautioned, however, against dismissing the possibility that the USSR might accept with the explanation that it wants normal relations with all peoples regardless of the character of the regime. The USSR conceivably might prepare the way by having one or more of its satellites establish relations first.

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The business situation inside the Dominican Republic is reported to be worse since 1946 and likely to be made more critical by the added cost of obtaining embargoed goods from other sources. The regime has been trying for several months to line up Middle Eastern oil supplies and has apparently aroused some interest in Iran. Trujillo, however, is now believed to have drained the Treasury of almost all its gold reserves in paying off old debts. Since his private estate is estimated at \$500,000-

000 to \$800,000,000, he presumably has further resources in his personal accounts abroad.

The local opposition has been greatly encouraged by the US role in the OAS action against Trujillo. The US Consulate reported on 4 January that no organized uprising by anti-Trujillo elements was then in sight, but that assassination plotters were becoming increasingly active in the underground.

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PART III

PATTERNS AND PERSPECTIVES

THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT

The agreement establishing the Organization for Economic Cooperation and Development (OECD)--signed on 14 December by 20 North Atlantic countries--has been described as an "attempt to improve the machinery of international economic cooperation to meet the broad economic challenges of the 1960s."

Specifically, the OECD convention is intended to encourage rates of economic growth in its member states which will be more competitive with those prevailing in the bloc, to channel a larger proportion of its members' resources to the development of economically backward areas, and to promote the growth of world trade on a multilateral, nondiscriminatory basis.

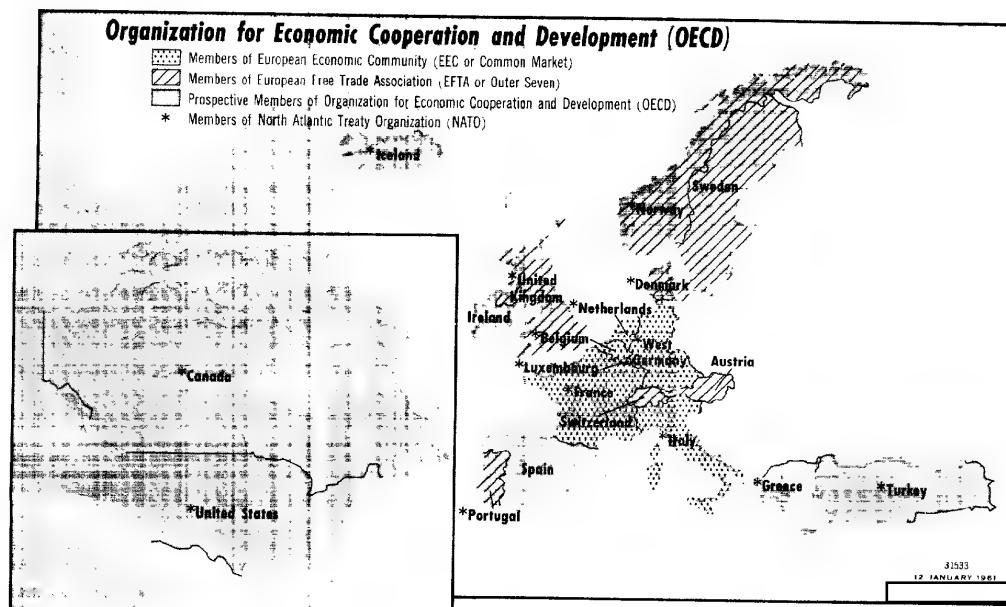
The convention does provide an organizational framework for approaching these problems in an orderly, cooperative way. The document itself, however, involves few concrete commitments, ratification by all

members is not certain, and there is considerable skepticism whether leading members are willing to make the OECD a major policy instrument. Moreover, there are unresolved differences over the priorities to be assigned to major objectives, and jurisdictional conflicts with existing organizations are already in prospect.

Background

The OECD is a successor to the Organization for European Economic Cooperation (OEEC), whose 18 European members and two associate members--the United States and Canada--will make up the new grouping.

The OEEC, founded in 1948 in conjunction with the launching of the Marshall Plan, is generally credited with a major contribution to the subsequent economic recovery of Western Europe. The recovery objectives of the OEEC have largely been achieved, and since 1957 its trade functions



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have been progressively taken over by the Common Market (EEC) and European Free Trade Association (EFTA). Moreover, with the emergence of America's balance-of-payments problems, discrimination against US exports --toward which the OEEC's intra-European trade liberalization program is still oriented--has seemed difficult to defend.

With the dual objective of discouraging such discrimination in the future and of obtaining a larger contribution from other free world countries to the burden of economic and technical aid in less developed countries, the United States took the lead more than a year ago in proposing the conversion of the OEEC into a "modern" organization. Agreement on the general outline of a successor grouping was reached last July, and since then the necessary convention has been in preparation. The resulting document is brief, and essential to its meaning is a lengthy Report of the Preparatory Committee which describes in detail the proposed structure and operations of the OECD as well as the recommended disposition of the residual functions and obligations of the OEEC.

Structure and Operations

The OECD is a typical inter-governmental organization. The chief policy-making body is the



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Council, on which all member states will be represented, either by permanent representatives or by ad hoc ministerial delegates. In addition to the Executive Committee provided for in the convention, the planners have recommended several functional committees, most important of which are the Economic Policy Committee, the Economic and Development Review Committee, and Development Assistance Committee, and the Trade Committee. The chief administrative officer is the secretary general, to which post former Danish Finance Minister Thorkil Kirstensen has been designated.

The OECD may make decisions generally binding on its members, make recommendations to them, and enter into agreements. Unless otherwise unanimously decided in advance, decisions and recommendations require the "mutual" --i.e., unanimous--agreement of the members, each with one vote. Unilateral veto power is modified, however, to the extent that abstentions will not invalidate the applicability of any decision to those countries which have voted for it, and the entire membership is generally committed to furnish information, consult on a continuing basis, and to "cooperate closely and where appropriate take coordinated action."

Major Functions

The general purpose of the OECD is to secure the implementation of broad economic policies to which the agreement binds the members: to promote the efficient use of economic resources; to encourage scientific and technological development; to avoid economic policies which might endanger the economies of others; to reduce obstacles to trade; and to contribute capital and technical assistance to countries in the process of economic development.

In its efforts to "adjust harmoniously" the economic

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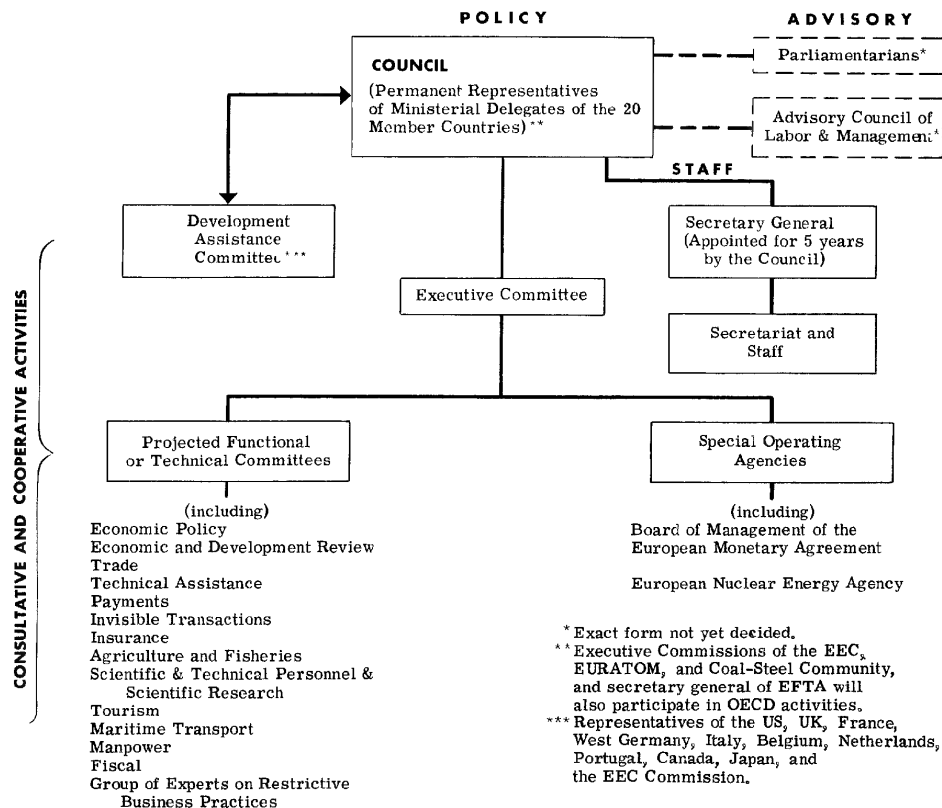
policies of the member countries, the OECD will lean heavily on the experience of the OEEC, and the main device will be the "economic review." The economic and financial situations in the individual countries will be kept under surveillance, and senior government officials will be subjected periodically to confrontation on national economic policies, with special regard to the international effects of such policies.

This approach, persuasive rather than coercive, has proved its usefulness in concerting national policies in both the OEEC and NATO, and will be employed not only by the Economic Policy Committee but also by

those on maritime transport, agriculture and fisheries, and trade. The Trade Committee, for example, is authorized to organize a confrontation on general trade policies and practices at regular intervals or whenever requested by a member; to examine specific trade problems primarily of interest to members and their overseas territories; and to consider the problems growing out of the EEC-EFTA dispute.

Committee activities will be carried out under the supervision of the OECD's Council--with the exception of the Development Assistance Committee, which for historical and tactical reasons has been given

ORGANIZATION FOR ECONOMIC AND COOPERATION DEVELOPMENT
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considerable de facto independence. This committee will take over the functions of the Development Assistance Group (DAG) --established on an interim basis early in 1960. The ten countries to which DAG membership is at present limited include those especially able to contribute more in longer term funds and developmental assistance to less-developed countries. Japan--not an OECD member--is expected to continue to participate in the work of the DAG.

Negotiating Problems

That the OECD convention was six months in preparation and has emerged without more precise commitments is largely the result of the diverging national interests of its prospective members. Of the five non-NATO countries, three--Sweden, Switzerland, and Austria--are neutrals which have been leery of giving the OECD any of the attributes of an "economic arm of NATO." Similarly, US representatives have repeatedly had to explain that inclusion in the OECD convention of more far-reaching commitments regarding trade would probably lead the US Senate to reject it.

The reluctance of many of the OEEC's members to convert that organization to new tasks and purposes has also caused major negotiating problems. In part bureaucratic inertia, continuing devotion to the OEEC also reflected suspicions--particularly in EFTA--that France and the US were principally interested in eliminating the OEEC as a potential framework of an all-European free trade area. Consequently some of the smaller European countries exerted strong pressures to retain as much as possible of the OEEC, to give special status to the OECD's Trade Committee, and to expand its functions.

Resistance to these pressures--particularly American refusal to accept the continuation of the OEEC's rules for lifting quantitative restrictions on intra-European trade--has resulted in considerable ill feeling and some imprecision.

Some functions of the OEEC will be carried over which in the American view are not pertinent to the new organization; whereas many of the so-called "acts"--decisions, recommendations, and resolutions--of the OEEC have been discontinued, the disposition of others has not yet been decided, and still others will be continued but will not apply to the United States and Canada. Moreover, these "acts" are still subject to approval by the OECD Council, and although former OEEC members are generally obligated by the recommendations of the Preparatory Committee, the US and Canada are not.

Problems Ahead

Accordingly, some European members feel that American constitutional requirements have resulted not only in a weaker organization than might otherwise have been the case, but also in an organization in which they may conceivably be more rigidly bound by codes of behavior than will the US. Many of them are therefore unlikely to ratify until the United States does, and while they regard the OECD as an "American instrument," they may not be inclined to accept American leadership.

Potential difficulties are particularly likely in the matter of relative priorities. In the American view, the issues confronting the OECD are, in order of importance, developmental aid, the concerting of policies to promote and sustain economic

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growth, and organization and promotion of trade. Many of the European members would reverse that order. Some of them feel that preoccupation with developmental aid has a "cold war flavor," and certain neutrals have implied they may later object to technical assistance activities in the OECD on grounds this may involve them in "political issues" or compete with similar undertakings in the UN.

Even those countries which recognize the gravity of the problem posed by the bloc's economic penetration in lesser developed areas profess budgetary problems or are principally interested in programs of direct benefit to their own exports.

The tendency to think of the OECD as primarily a "trade organization" is likely to persist for other reasons also --even though European views as to the exact role it should play are contradictory. Those who regard the potential trade competition between the EEC and EFTA as the major economic problem now confronting Europe have insisted on inscribing this issue high on the OECD's agenda. However, some of those who hold this view also believe the US is the major obstacle to an EEC-EFTA agreement, and recently there has been a tendency to try to resolve this issue bilaterally or in forums in which the US does not take part.

Attitudes toward the OECD's relationship to the General Agreement on Tariffs and Trade (GATT) are similarly ambivalent. Europeans are generally more skeptical of GATT's ability to promote and police world trade than is the US. While some of them therefore hold that the OECD must instead "take the lead," others profess to fear that the American tariff system and an alleged tendency to backslide into protectionism will also restrict the OECD's effectiveness. In any case, their efforts to convert

the OECD into a trade organization has caused some GATT members to charge that the industrial nations of the free world are "ganging up."

The jurisdictional line between the OECD and other organizations seems certain to be troublesome for some time, as evidenced by a heated discussion provoked in NATO last month by a paper submitted by Secretary General Spaak which to some NATO countries seemed to set forth a conception of NATO's economic role that impinged on the OECD. In response to criticism of his paper, Spaak declared it "unacceptable" that NATO should leave fulfillment of parts of the NATO treaty to another organization and stressed his doubts that "the impelling forces of the cold war could be met by OECD action, with neutrals as members."

Outlook

Once the OECD convention has been ratified, the organization's major problem is therefore likely to be the precise definition of its role and the establishment of its collective authority with the comparatively limited resources it has been given. The OECD may become a useful instrument for exerting pressure on the increasingly prosperous European countries to assume part of the burden heretofore borne by the US of economic assistance to the underdeveloped countries. It may prove even more useful as a mechanism for adjusting economic policies which, for example, have caused or aggravated such problems as the recent decline in American stocks of monetary gold.

In return, the other members are almost certain to regard the OECD as an instrument for adjusting their grievances against the US in such fields as agriculture, maritime and shipping policies, and civil aviation.

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CHINA'S INDUSTRIAL DEPENDENCE ON THE BLOC*

Communist China has received substantial help from the Soviet bloc in achieving its rapid rate of industrialization. The core of Peiping's industrialization program--intended to make China self-sufficient in such basic fields as coal, electric power, metallurgy, and machine-building--consists of 291 large industrial installations equipped by the USSR and about 100 smaller installations supplied by the European satellites. By the end of 1959, \$1.35 billion worth of equipment for these installations had been delivered and 130 projects had been completed.

Equally important, the Soviet bloc has provided substantial amounts of technical aid to China. It has (1) supplied a vast quantity of blueprints and technical information without charge; (2) sent advisers and technicians to perform a wide variety of tasks, including supervising the installation of machinery, troubleshooting, advising Chinese ministries and planning commissions, and teaching in Chinese institutions; and (3) trained Chinese technicians and researchers.

By October 1959, according to Chou En-lai, about 11,000 Soviet and 1,500 satellite technical experts had worked in Communist China. Over the past 11 years China has sent about 7,000 students, including 1,400 postgraduates, to the Soviet Union for study and 8,000 workers to Soviet industrial establishments for on-the-job training.

With bloc support, Communist China expanded production of heavy industry from 1952 to 1959 at an annual average rate of about 30 percent; without

this aid, it is estimated the rate would have fallen to about 20 percent. Outside support also had a vital effect on the quality of industrialization, enabling China to produce such "prestige" items as jet aircraft, submarines, tractors, trucks, and television sets.

Chinese Self-Reliance

Peiping's recent claims of economic self-reliance probably reflect uncertainties over the future of bloc assistance. Its assertion that it can do virtually all its own designing of new factories and make most of the necessary machinery is probably an overstatement. The Chinese claim they produced 90 percent of their new machinery and equipment in 1960, compared with only 60 percent in 1957; however, much of this is simple machinery for small plants. Concerning the more sophisticated Soviet aid projects, the Chinese have said they will produce 45 to 50 percent of the required machinery, whereas the proportion equipped by China during the First Five-Year Plan period (1953-57) was reportedly 30 to 50 percent.

As a proportion of total investment, the bloc role in Chinese industrial development has been gradually declining. Nevertheless, the absolute value of bloc projects under construction and planned for the Second Five-Year Plan (1958-62) is actually much larger than during the First Five-Year Plan. The Chinese imported \$710,000,000 worth of machinery to equip Soviet aid projects during the First Five-Year Plan and have already imported \$565,000,000 worth of such equipment in the first two years of the second.

Certain industries in China still depend heavily on the bloc for development, and this dependence will probably continue

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through the next five years. In this category are the processing stages of aluminum and steel, large electric power stations, cement, certain chemicals (nitrogen fertilizer, plastics, and synthetic fibers), heavy and complex machine tools, selected electronic equipment, naval shipbuilding, jet aircraft, heavy artillery and tanks, and nuclear energy. The degree of development dependence varies, some industries requiring imported capital equipment for further development, others needing only technical assistance, still others--such highly complex industries as naval shipbuilding, aircraft, missiles, and atomic energy--depending on both imported knowledge and equipment.

The departure of Soviet technicians last autumn puts Peiping's claims of self-reliance to the test by placing a heavy strain on China's own technicians.

all, or virtually all, of the Soviet technicians in China were ordered home by Moscow as a result of political disputes with the Chinese. The consequences are not yet clear, but it seems likely that the withdrawal will disrupt work in at least those technically complicated industries where Soviet experts have been concentrated.

China has suffered a severe shortage of petroleum since September. In contrast to past dependence on the bloc for all POL imports, China now is arranging to buy significant amounts of petroleum outside the bloc. Chinese purchases and in-

quiries involving Middle Eastern and Indonesian oil have totaled about 150,000 tons since 29 September

This strongly suggests that the deterioration in Sino-Soviet economic relations has not been confined to a withdrawal of technicians.

Consequences of Aid Withdrawal

The elimination of bloc material and technical assistance would result in short-run dislocations to China's economy and ultimately necessitate a scaling down of ambitious plans for rapid industrialization. The Chinese could probably find nonbloc sources for much of the petroleum products, metals, and machinery and equipment they now import from bloc countries, but pending such a readjustment, many economic activities would be severely slowed by shortages.

Transportation would be affected by a shortage of motor and aviation gasoline and of diesel and fuel oil for ships. The current POL shortage indicates how the economy can be affected by the lack of sufficient domestic production in an important commodity.

China's machine-building industries are unprepared to begin producing spare parts for much of the bloc machinery received in recent years, and the lack of spare parts would prolong breakdowns of some equipment, such as large rolling mills, forges, presses, lathes, turbogenerators, chemical plant equipment, airplanes, and ships.

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China need not depend on the bloc for petroleum products, heavy machine tools, and anti-friction bearings, since these commodities can be readily purchased from nonbloc sources. However, China's hostile attitude toward free world industrial countries and its desire to preserve economic secrets will probably keep it from taking full advantage of opportunities to acquire technology and equipment outside the bloc.

If all bloc aid ceased, Chinese industrial production in 1961-65 would probably grow by 10 percent per year, instead of the 16 percent currently projected. Many sophisticated development programs now scheduled would have to be canceled. The annual production of steel in large, modern combines, now expected to reach 28,000,000 tons by 1965, would probably reach no more than 20,000,000 tons. Generation of electric power would be reduced from current estimates of 195 billion kilowatt-hours per year by 1965 to 150 billion kilowatt-hours.

The bloc has played an important role in helping develop China's fertilizer industry, with East Germany, Poland, and Czechoslovakia reportedly scheduled to supply equipment for additional nitrogen fertilizer plants by 1962. Because nitrogen is the principal nutrient deficiency in Chinese soil, these planned imports of equipment are a key element in the Chinese program for expanding agricultural output.

Without bloc equipment it is estimated that production in 1965 of synthetic nitrogen fertilizer would be only about 65 percent of the production now projected--i.e., 3,600,000 instead of 5,500,000 tons. If bloc aid ceased, the Chinese might increase their imports of nitrogen fertilizers and try to obtain plant equipment and technical aid from nonbloc countries, but any transfer of

contracts for building complete plants would inevitably involve long delays.

In the electronics industry, the Chinese have depended on the Soviet Union and East Germany for most of the capital equipment in their new plants. With substantial technical aid from the bloc the Chinese have begun manufacturing radio and television receivers, navigational aids and radar, and communications equipment. Chinese laboratories have produced high-speed electronic computers, some types of semiconductor devices, including transistors, and a fairly wide range of more advanced communications equipment, such as medium-capacity microwave sets.

Further development of the electronics industry will depend mainly on continued receipt of design information, either from the bloc or other foreign sources, until the Chinese can develop an independent design capability. Despite a high priority given electronics in their long-range scientific program, it will be many years before the Chinese have this capability.

By 1955 the Chinese were producing large naval vessels under a program closely supervised by large numbers of Soviet technicians and dependent on the USSR for designs and many component parts. Chinese shipbuilders now handle their own fabrication and assembly of naval vessel hull structures, using domestically produced steels, including even the special steel for submarine hulls. The main shipbuilding deficiency at this time is in the production of marine components.

Termination of Soviet aid would force cancellation of the new program of building Kotlin-class destroyers and new-class submarines. It is unlikely that construction of W-class

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submarines could continue, although production probably could be resumed when the Chinese learned how to produce the now-imported components.

Following a decade of heavy reliance on Soviet technology, spare parts, and equipment,

China now faces the prospects of either coming to a new agreement with the USSR--probably on Soviet terms--or curtailing many of its more advanced industrial projects and accepting a slow-down in the rate of industrial growth. (Prepared by ORR)

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